

Message Text

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PAGE 01 OECD P 34496 01 OF 05 191948Z

46

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 AF-08 ARA-06 EA-07 NEA-10 OIC-02

IO-13 SSO-00 NSCE-00 USIE-00 INRE-00 ERDA-05 AID-05

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PAGE 02 OECD P 34496 01 OF 05 191948Z

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C O N F I D E N T I A L SECTION 01 OF 05 OECD PARIS 34496

E.O. 11652: GDS

TAGS: OECD, CIEC, ETRD, EFIN, EAID, ENRG

SUBJECT: CIEC COMMISSIONS: NOVEMBER 17 AND 18.

1. SUMMARY: ON NOVEMBER 17 AND 18 MAIN ACTIVITY CONTINUED TO BE IN CONTACT GROUPS, WHERE ENERGETIC EFFORTS ARE UNDERWAY TO DRAW UP TEXTS FOR USE IN FINAL CIEC COMMUNIQUE BUT WHERE PROGRESS HAS BEEN UNEVEN. BOTH SIDES ARE NEGOTIATING HARD, AND G-19 HAS SHOWED CLEAR DISPOSITION TO SEEK AS MANY BRACKETTED PHRASES AS POSSIBLE TO PROVIDE MAXIMUM NUMBER OF . BARGAINING CHIPS. WORK IN ENERGY COMMISSION, WHICH HAD EARLIER MOVED FASTER THAN ELSEWHERE, SLOWED AS G-19 SOUGHT TO BRING OVERALL POSITIONS INTO LINE AND AS INTRA G-19 DIFFERENCES ON PRICE ISSUE BECAME MORE CLEARLY DEFINED. COMMISSIONS THEMSELVES MET ONLY BRIEFLY (ENERGY ON NOVEMBER 17, FINANCE AND DEVELOPMENT ON NOVEMBER 18) TO HEAR REPORTS OF CONTACT GROUPS. RAW MATERIALS COMMISSION DID NOT MET AT ALL IN PLENARY DURING TWO DAYS. OVERALL STOCK TAKING MAY COME ON MONDAY WHEN FINANCE AND DEVELOPMENT COMMISSIONS HAVE SCHEDULED THEIR NEXT PLENARIES. PERHAPS AT THAT POINT, WE MAY GET STRONG AND ORCHESTRATED G-19 EXPRESSION OF DISSATISFACTION WITH WORK OF CONFERENCE PROBABLY LACED WITH STATEMENT OF IMPENDING FAILURE. END SUMMARY
ENERGY COMMISSION CONTACT GROUP:

2. ACTIVITY IN ENC WAS FOCUSED ALMOST ENTIRELY IN CONTACT GROUP, WITH PLENARY HOLDING VERY BRIEF, PRO-FORMA MEETINGS ONLY. ATMOSPHERE IN CONTACT GROUP DISCUSSIONS ON SUPPLY TOPIC SHIFTED MARKEDLY DURING COURSE OF TWO DAYS. AT ONE POINT GROUP APPEARED VERY CLOSE TO AGREEMENT ON FIRST PART (ASSESSMENT OF FACTS) OF DRAFT CONCLUSIONS PAPER ON SUPPLY BUT THEN G-19 (PARTICULARLY IRAN) ABRUPTLY REVERSED FIELD AND BEGAN BRACKETTING LARGE SECTIONS OF TEXT AND PROPOSING NEW LANGUAGE. SUB-GROUP SET UP TO DISCUSS PRICE TOPIC HAS
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PAGE 03 OECD P 34496 01 OF 05 191948Z

BEEN UNABLE TO ESTABLISH DRAFTING GROUPS AS VERY LITTLE COMMON GROUND HAS BEEN FOUND. IN CONTINUED ABSENCE OF ANY FORMAL G-19 PROPOSAL CONCERNING CONCLUSIONS ON PRICE, SUB-GROUP DISCUSSED WHETHER DC PAPER TABLED BY JAPAN OR PAPER ORALLY PRESENTED BY IRAN AT END OCTOBER SESSION, SHOULD BE BASIS FOR DRAFTING. IRANIAN REP INSISTED THAT IRANIAN TEXT, IN EFFECT, WAS G-19 PAPER AND THAT PRINCIPLES CONTAINED

THEREIN SHOULD THEREFORE BE USED AS DRAFTING BASIS.
IRAN WAS STRONGLY SUPPORTED BY ALGERIA. EDDC'S, HOWEVER,
MADE CLEAR IN PRIVATE CONVERSATIONS THAT THEY DID NOT
SUPPORT IRANIAN TEXT AND WOULD NOT AGREE TO IT IN
FUTURE (SEE SEPTTEL). THUS, SUB-GROUP WAS LEFT AT
IMPASSE ON HOW TO PROCEED WITH DRAFTING. SUB-GROUP ON
COOPERATION ITEM IS EXPECTED TO MEET NOV. 19, BUT
CONTINUED ABSENCE OF ANY AGREED G-19 PAPER ON THIS
TOPIC MAY ALSO CREATE SIMILAR PROBLEMS FOR THIS
GROUP.

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PAGE 01 OECD P 34496 02 OF 05 191951Z

46

ACTION EUR-12

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PAGE 02 OECD P 34496 02 OF 05 191951Z

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C O N F I D E N T I A L SECTION 02 OF 05 OECD PARIS 34496

RAW MATERIALS COMMISSION (RMC):

3. DURING NOV. 17 AND 18 RMC PLENARY DID NOTEET
BUT 3 WORKING GROUPS MET A NUMBER OF TIMES IN ATTEMPTS
TO NARROW DIFFERENCES BETWEEN G-8 AND G-19 PROPOSALS.

4. RAW MATERIALS G-8 HAS CONTINUED TO BE CONFRONTED
WITH GENERAL OPPOSITION BY EC TO PRESENCE OF G-8 NON-
MEMBERS OF RMC IN WORKING GROUP MEETINGS. FOR THE
MOMENT THIS QUESTION HAS BEEN RESOLVED THROUGH AGREE-
MENT BY NON-MEMBERS TO EXERCISE "RESTRAINT" IN THEIR
ATTENDANCE.

RMC GROUP 1 (INTERESTS OF IMPORTING DEVELOPING COUNTRIES
AND NON-TRADE ASPECTS OF LOCAL PROCESSING)

5. GROUP L DISCUSSION HAS CENTERED MAINLY ON SUBJECT
OF INTERESTS OF IMPORTING DEVELOPING COUNTRIES AND
INFORMAL WORKING TEXT PRODUCED BY VOLUNTEER DELEGATIONS.
KEY STUMBLING BLOCK IS G-19 DESIRE TO QUOTE AND STRENGTH-
EN NAIROBI RESOLUTION LANGUAGE ON THIS QUESTION (PARA
3 OF SECTION III) AND G-8 OPPOSITION THERETO.
RMC GROUP 2 (INTEGRATED PROGRAM, TRANSPORT/MARKETING/
DISTRIBUTION, NATURAL PRODUCTS/SYNTHETICS)

6. GROUP 2 HAS DISCUSSED SUBJECT OF MARKETING AND
DISTRIBUTION ON BASIS OF WORKING PAPER PREPARED BY
US DEL AND A FIRST ATTEMPT IS BEING MADE INFORMALLY
TO DEVELOP JOINT TEXT ON SUBJECT. EARLY AGREEMENT ON
ANY AGREED TEXT, HOWEVER, IS NOT LIKELY. DRAFTING
BY SUB-GROUPS IS ALSO BEGINNING ON SYNTHETICS AND

SUBSTITUTES PAPER BUT PROSPECTS FOR AGREEMENT THEREON
ARE EVEN MORE OBSCURE IN VIEW OF INDONESIA'S FIRM
STAND DURING EARLIER DISCUSSIONS ON ISSUE OF HARMONIZA-
TION OF PRODUCTION OF NATURAL PRODUCTS AND SYNTHETICS
AND ON OTHER ASPECTS OF G-19 PAPER. INITIAL
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PAGE 03 OECD P 34496 02 OF 05 191951Z

REVIEW OF G-19 PAPER ON INTEGRATED PROGRAM WAS POST-
PONED TO GIVE G-8 A CHANCE TO CONSIDER IT IN
CAUCUS. G-8 DISCUSSION REVEALED THAT ALL COUNTRIES
SUPPORTED US RE-DRAFT OF G-19 PAPER EXCEPT EC, WHICH
IS STILL BADLY DIVIDED AND HAS BEEN UNABLE TO DEVELOP
A COMMON POSITION. SWEDEN INDICATED ITS SUPPORT FOR US
RE-DRAFT (EXCEPT FOR PHRASE "AS ADOPTED" FOLLOWING
REFERENCE TO NAIROBI RESOLUTION) SHOULD NOT BE TAKEN
AS OPPOSITION TO G-19 PAPER.

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PAGE 01 OECD P 34496 03 OF 05 192004Z

46

ACTION EUR-12

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PAGE 02 OECD P 34496 03 OF 05 192004Z

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C O N F I D E N T I A L SECTION 03 OF 05 OECD PARIS 34496

RMC GROUP 3 (PURCHASING POWER, COMPENSATORY FINANCE,
INVESTMENT)

7. GROUP 3 ASSIGNED THE TASK OF PREPARING SINGLE
TEXTS REFLECTING G-8 AND G-19 PAPERS TABLED IN
OCTOBER AND SUBSEQUENT DISCUSSIONS AS FOLLOWS: VENEZUELA
FOR PURCHASING POWER, CAMEROON FOR COMPENSATORY
FINANCE AND THE US FOR INVESTMENT, PAPERS ON PURCHASING
POWER AND INVESTMENT WERE REVIEWED NOV. 18. VENEZUELAN
PAPER ON PURCHASING POWER INVOLVES SEVERAL NEW ELEMENTS,
MOST DIFFICULT OF WHICH IS REFERENCE TO CHARTER ON
ECONOMIC RIGHTS AND DUTIES OF STATES. IN SUBSEQUENT
DISCUSSION G-19 INDICATED REFERENCE TO CERDS AND OTHER
OBJECTIONABLE INTERNATIONAL RESOLUTIONS WAS NEGOTIABLE.
MEXICAN DEL INDICATED SOME FLEXIBILITY ON ANOTHER ITEM
IN PAPER. A 5 PARTY DRAFTING GROUP WAS ESTABLISHED TO
DO FURTHER WORK ON PURCHASING POWER ISSUE. ON INVEST-
MENT, PARTICIPANTS FELT US REVISIONS IN OCTOBER EC/JAPAN/
US INVESTMENT PAPER HAD SIGNIFICANTLY IMPROVED ITS

BALANCE. MOST PROBLEMS ON THIS ITEM MAY BE BEHIND US.
NO PAPER HAS BEEN TABLED ON COMPENSATORY FINANCE,
REFLECTING FRUSTRATION OF CAMEROON DEL IN FACE OF
DISINCLINATION OF EITHER SIDE TO MOVE FROM OCTOBER
PAPERS.

JOINT RMC/DC GROUP ON TRADE MATTERS

8. RMC GROUP L ALSO MET JOINTLY WITH DEVELOPMENT
COMMISSION DELEGATIONS ON TRADE QUESTIONS, WITH DIS-
CUSSION TENDING TO FOCUS ON G-19 DRAFTS. AT END OF
NOV. 18 SESSION SEVERAL PARAS WERE REMANDED TO SMALL
DRAFTING GROUP (PARAS L, 2, 3, AND 6 OF G-19 CCEI DE-37
AND RELEVANT PARAS IN G-8 DRAFTS.) TRADE EXPERTS OF
G-8 ALSO MET SEVERAL TIMES TO WORK OUT COMMON TRADE
PAPER BASED ON US DRAFT, BUT THIS EFFORT PROCEEDED
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PAGE 03 OECD P 34496 03 OF 05 192004Z

SLOWLY, IN PART AS A RESULT OF DOUBTS BY SOME,
ESPECIALLY EC AND SWEDEN AS TO DESIRABILITY OF A JOINT
PAPER IF IT IS WATERED DOWN. JAPANESE, HOWEVER,
REMAIN STRONGLY INTERESTED IN FORGING A UNIFIED POSI-
TION TO AVOID REVEALING G-8 DIFFERENCES IN CONTACT
GROUP. WORK MAY BE CONCLUDED IN NEXT DAY OR TWO
(EXCEPT IN SUPPLY ACCESS AREA, WHERE CANADIAN AND
TO SOME EXTENT AUSTRALIAN POSITIONS MAKE UNIFIED
APPROACH IMPOSSIBLE) BUT ULTIMATE USE OF PAPER IS
STILL UNCLEAR.

DEVELOPMENT COMMISSION CONTACT GROUPS:

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PAGE 01 OECD P 34496 04 OF 05 191959Z

46

ACTION EUR-12

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PAGE 02 OECD P 34496 04 OF 05 191959Z

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C O N F I D E N T I A L SECTION 04 OF 05 OECD PARIS 34496

ODA:

9. CONTACT GROUP ON ODA CONTINUED DRAFTING EXERCISE.
ALTHOUGH AGREEMENT HAS NOT BEEN REACHED ON ANY MAJOR
ISSUES, BRACKETED TEXTS HAVE BEEN PREPARED EMBODYING
G-19 AND G-8 POSITIONS. BRACKETING EXERCISE WILL

CONTINUE ON ODA TERMS AND OTHER ODA ISSUES NOVEMBER 19.

FOOD AND AGRICULTURE/INFRASTRUCTURE:

10. CONTACT GROUP REVIEWED ISSUES IN THESE TWO AREAS NOVEMBER 16 AND 17. MINI DRAFTING GROUPS COMPOSED OF ONE G-8 AND ONE G-19 DEL WERE APPOINTED TO PUT TOGETHER INITIAL BRACKETTED TEXTS ON EACH OF FIVE MAJOR SUBJECT AREAS. INITIAL TEXTS ON FOOD AID, FERTILIZERS, AND INFRASTRUCTURE HAVE BEEN COMPLETED, BUT MORE WORK REMAINS ON TEXTS FOR LDC FOOD PRODUCTION AND WORLD FOOD SECURITY. G-19, LED BY YUGOSLAVIA, CONTINUES TO EMPHASIZE ITS DESIRE FOR SPECIFIC FIGURES AND TARGETS IN TEXT, SUCH AS \$7 TO 8 BILLION TARGET FOR ODA FLOWS TO AGRICULTURE SECTOR. CONTACT GROUP IS SCHEDULED TO PURSUE DISCUSSION OF BRACKETTED TEXTS NOVEMBER 19.

INDUSTRIALIZATION/TRANSFER OF TECHNOLOGY:

11. CONTACT GROUP HAD DIFFICULTY DRAFTING COMMON TEXTS DUE TO RELUCTANCE OF ALGERIAN G-19 MODERATOR (KHARIBY) AND PAKISTANI DEL TO COMMIT ANYTHING TO PAPER IN "THE EARLY STAGES OF OUR WORK." US, EC, AND JAPAN THEREFORE SUBMITTED OWN JOINT BRACKETTED TEXTS ON ALL INDUSTRIALIZATION AND TRANSFER OF TECHNOLOGY ISSUES FOR DISCUSSION. ALGERIAN AND PAKISTANI DELS CONTINUE TO RESIST JOINT DRAFTING EXERCISE AND TO CONCENTRATE SOLELY ON G-19 PROPOSALS, BUT G-8 IS PUSH-CONFIDENTIAL

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PAGE 03 OECD P 34496 04 OF 05 191959Z

ING FOR JOINT DRAFTING OF CONSENSUS TEXTS BASED ON PAPERS TABLED BY EC, US AND JAPAN.
DEBT: (JOINT GROUP WITH FAC)

12. EC AND US DELS CONSULTED NOVEMBER 17-18 TO PRODUCE COMMON REVISED TEXT ON DEBT. REVISION (BEING SENT TO DEPARTMENT SEPTEL) IS DESIGNED TO ADDRESS MORE EXPLICITLY G-19 CONCERNS AND CLARIFY PROPOSALS WHILE RETAINING BASIC APPROACH. REVISED PROPOSAL WAS PRESENTED TO G-19 DURING SHORT CONTACT GROUP MEETING NOVEMBER 18, AND IT WILL BE DISCUSSED NOVEMBER 19. FINANCIAL AFFAIRS COMMISSION (FAC) AND CONTACT GROUPS ON INVESTMENT, ACCESS TO CAPITAL MARKETS, AND "OTHER FLOWS" (CG2) AND MEASURES AGAINST INFLATION (CG3)

INVESTMENT, ACCESS TO CAPITAL MARKETS, AND "OTHER FLOWS":

13. CG2 MET ON AFTERNOONS OF NOVEMBER 17 AND 18 TO CONTINUE DISCUSSION ON ACCESS TO CAPITAL MARKETS BY LDC'S AND ON FOREIGN INVESTMENT. GENERAL EFFORT WAS TO TRY TO

GIVE AN ADDITIONAL POLITICAL IMPETUS TO THE IMF/IBRD
MANILA RECOMMENDATIONS ON ACCESS. IN IT G-19 MEMBERS
SUGGESTED THAT IN NEXT FEW DAYS MEMBERS SEE WHAT
SPECIFIC COMMITMENTS THEY COULD MAKE IN CIEC WITH
RESPECT TO LIBERALIZING THEIR CAPITAL MARKETS (WITH-
IN A GIVEN TIME FRAME). G-8 MEMBERS NOTED THAT THEY
WOULD CONSIDER THIS SUGGESTION, ALTHOUGH EC DEL
STATED THAT THIS WOULD BE VERY DIFFICULT TO DO BEFORE
END OF NOVEMBER CIEC. CG2 ALSO CONSIDERED POSSIBILITY
OF ASKING IMF BOARD, IN ITS ANNUAL REVIEWS, TO FOCUS
SPECIFICALLY ON CERTAIN CAPITAL MARKETS RESTRICTIONS,
WHICH WOULD BE SUGGESTED BY CIEC. THESE MIGHT INCLUDE

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PAGE 01 OECD P 34496 05 OF 05 191957Z

46

ACTION EUR-12

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PAGE 02 OECD P 34496 05 OF 05 191957Z

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ISSUE CALENDARS, PERMISSIONS FOR FOREIGN BORROWINGS,
CEILINGS ON FOREIGN ISSUES. RESULTS OF THIS ASPECT OF
ANNUAL REVIEWS COULD BE COMMUNICATED TO IMF/IBRD DEVELOP-
MENT COMMITTEE.

14. CG2 ALSO DISCUSSED G-19 PAPER ON "OTHER FLOWS",
INCLUDING EXPORT CREDITS AND SDR'S. BOTH SIDES
MAINTAINED THEIR EARLIER POSITIONS; NO PROGRESS OR
AGREEMENT IS LIKELY. WITH RESPECT TO THE MONETARY
ASPECTS, US DEL AND OTHER G-8 MEMBERS CONTINUED TO
MAINTAIN THAT THIS SUBJECT IS MORE PROPERLY WITHIN THE
COMPETANCE OF IMF.

15. ON NOVEMBER 18, G-8 MODERATOR (US DEL) OF CG2 PRE-
SENTED DRAFT OUTLINE OF WHAT COULD BE FINAL DOCUMENT
ON INVESTMENT AND ACCESS TO CAPITAL MARKETS. G-19
WILL LOOK AT THIS DOCUMENT FURTHER, BUT INITIAL REACTION
OF G-19 CG2 MEMBERS WAS NOT ADVERSE.

INFLATION:

16. CG3 MET EVENING OF NOVEMBER 17, AND TWICE NOVEMBER
18. WITH GREAT DIFFICULTY AND AFTER STRONG RESISTANCE
OF G-19 (WHO ARGUED OCTOBER 31 DEADLINE WAS PASSED).
G-8 MEMBERS WERE ABLE TO TABLE NEW COMPROMISE DRAFT
ON INFLATION TO BE CONSIDERED ALONGSIDE G-19 DRAFT
ISSUED AT OCTOBER CIEC. G-19 CONTINUE TO INSIST MAIN

CAUSES OF INFLATION ARE BALANCE OF PAYMENTS DEFICITS OF
DCS AND CREATION OF EXCESSIVE INTERNATIONAL LIQUIDITY
OF THE RESERVE COUNTRIES, WHILE REFUSING TO MENTION
ENERGY PRICES AS A FACTOR. G-8 DID NOT ACCEPT G-19
FORMULATION ON LIQUIDITY BUT AGREED IN CG3 THAT DCS
HAD A MAJOR SHARE OF RESPONSIBILITY, WHILE INSISTING
THAT OIL PRICE INCREASES ALSO HAD PLAYED AN IMPORTANT
ROLE. LITTLE FURTHER PROGRESS WAS MADE OWING DUE TO
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PAGE 03 OECD P 34496 05 OF 05 191957Z

IDEOLOGICAL INTRANSIGENCY OF IRAN AND IRAQ, AS FOUND
IN OCTOBER G-19 DRAFT.
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Message Attributes

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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
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